

MARKET CONDUCT EXAMINATION
OF
PROGRESSIVE GROUP OF INSURANCE COMPANIES
6300 WILSON MILLS ROAD
MAYFIELD VILLAGE, OHIO 44143-2182

February 1, 2000 –January 31, 2001



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The Honorable Mike Kreidler
Washington State Insurance Commissioner
PO Box 40255
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010 and procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed of:

Progressive Group of Insurance Companies
6300 Wilson Mills Road
Mayfield Village, Ohio 44143-2182

The following Progressive Companies are included in this examination:

Progressive Casualty Insurance Company, NAIC# 24260
Progressive American Insurance Company, NAIC# 24252
Progressive Northern Insurance Company, NAIC# 38628
Progressive Specialty Insurance Company, NAIC# 32786
Progressive Northwestern Insurance Company, NAIC # 42919
Progressive Preferred Insurance Company, NAIC# 37834
Progressive Classic Insurance Company, NAIC# 42994
Progressive West Insurance Company, NAIC# 27804
Halcyon Insurance Company, NAIC# 16322

In this report, the above entities are collectively referred to as “the Companies” or “the Progressive Companies”. This report of examination is respectfully submitted.

CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Sally Anne Carpenter, AIE, and Shirley M. Merrill of the Washington State Office of the Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of the Progressive Companies during the course of this market conduct examination, including Jason Zitney, Stacey Gardiner, Scott Spriggs, Dawn McCann, Pete Davis and Michael Snow.

I certify that the foregoing is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.

Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This market conduct examination report is by exception. Additional practices, procedures, and files subject to review during the examination were omitted from the report if no improprieties were indicated. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

Prior Examination Summary

This examination reviewed the Companies' activities between February 1, 2000 and January 31, 2001 with the exception of the following: Complaints received between 1998 to present were reviewed for adverse trends.

Review of Prior Examination Findings

This department adopted an examination on the Progressive Companies in December, 1993. The examination covered the period of January 1, 1992 through Dec 31, 1992. Four instructions were issued to the Companies as a result of violations reported in the examination report. The instructions were:

1. Correct an application/binder to show the correct name of the insuring Companies.
2. Pay the license transfer fee when settling automobile total losses.
3. Comply with Washington law regarding the language contained in cancellation and non-renewal notices to ensure that the insured could understand the Companies action without additional research.
4. Follow filed and approved rate and rule manuals regarding installment payments on commercial vehicle policies.

Evidence of compliance or non-compliance with any of these instructions is addressed in the appropriate section of this report.

SCOPE

Time Frame

The examination covered the Companies' operations from February 1, 2000 through January 31, 2001. The claims examination was performed at the Companies' claim office in Bellevue, Washington. The underwriting and rating reviews were done at their Rancho Cordova, California office, and as a desk audit in the OIC's Seattle office.

Matters Examined

The examination included the following areas:

Advertising

Agent licensing

Complaints
Rate & Form Filings
Claims Settlement Practices

Underwriting and Rating
Cancellations and Non-Renewals

SAMPLING STANDARDS

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92 %	Confidence Level
+/- 5 %	Mathematical Tolerance

These are the guidelines prescribed by the National Association of Insurance Commissioners in the Market Conduct Examiners Handbook. When the examiners determine that a sample has failed tolerance levels, they will, at their discretion, pull additional samples or ask to see an entire population to complete their review. They will note the sample size in the report.

Regulatory Standards

Samples are tested for compliance with standards established by the Office of the Insurance Commissioner. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as “met.” Standards in the following examination sections will be failed if there are any violations identified: agent licensing and appointment, filed rates and forms, general examination findings.

For those standards which look for the existence of written procedures or a process to be in place, the standard will be met based on the examiner’s analysis of those procedures or processes. The analysis will include a determination of whether or not the Companies follow established procedures.

Standards will be reported as Passed without Comment, Passed with Comment or Failed. The definition of each category follows.

Passed Without Comment	There were no findings for the standard.
Passed with Comment	The records reviewed fell within the tolerance level for that standard.
Failed	The records reviewed fell outside of the tolerance level established for the standard.

COMPANY HISTORY AND OPERATIONS

The Progressive Corporation is an Ohio based publicly traded holding company. Through its subsidiaries, it provides personal automobile and small fleet commercial vehicle coverage. The Companies also write boat, motorcycle, motor home and recreational vehicle insurance. The corporation has 31 property and casualty insurance companies, 49 non-insurance subsidiaries and 2 life insurance companies.

The parent company was formed in 1965 as an insurance holding company. The organization dates back to 1937 with the formation of the first insurance company, Progressive Mutual Insurance Company. The following were licensed to conduct business in Washington during the exam period and are the subject of this examination. All are wholly owned subsidiaries of The Progressive Corporation. The President and Chief Executive Officer of Progressive Casualty Company is Peter B. Lewis. Mr. Lewis is also the Chairman of the Board of Progressive Corporation. There are other directors and board members of subject Companies whose identities are contained in the examination work papers.

The following Companies have been admitted to do business in Washington:

Companies Name	Domiciled State	Incorporation Date	Date Admitted to WA
Progressive Casualty	Ohio	11/17/56	07/06/72
Progressive Northern	Wisconsin	8/19/80	05/23/88
Progressive Specialty	Ohio	8/4/75	09/13/78
Progressive Preferred	Ohio	9/24/79	03/10/88
Progressive Northwestern	Washington	9/24/82	04/08/83
Progressive American ¹	Delaware	8/25/71	08/01/83
Progressive Classic	Wisconsin	9/30/83	01/22/88
Progressive West ²	California	7/23/70	02/18/81
Progressive Halcyon	Ohio	9/29/86	06/03/97

¹Re-domesticated to Florida 4/2/1979.

²Originally Anvil Insurance Company. Name changed to Peoples Insurance Company 3/18/91. Name changed to Pro-West Insurance Company 1/1/94. Current name adopted 4/8/97.

Findings

The Operations and Management Standards Passed without Comment:

#	OPERATIONS AND MANAGEMENT STANDARD	REFERENCE
1	The Companies are required to be registered with the Office of the Insurance Commissioner prior to acting as an insurance company in the State of Washington.	RCW 48.05.030(1)
2	The Companies are required to file with the OIC any changes to Articles of Incorporation or amendments for domestic Companies.	RCW 48.07.070

Comments: The examiners asked the Companies to manually rate policy # 30054153-0 and provide the rating worksheets. The original request was June 14, 2001, with a follow-up request July 10th. The examiner sent the third request for the information on September 7th. The requested materials were received on September 10th. See Appendix 2 for details.

GENERAL EXAM FINDINGS

The following General Exam Standard Passed without Comment:

#	GENERAL EXAM STANDARD	REFERENCE
1	The Companies made available to the examiners all requested information in a timely manner.	RCW 48.03.030(1), WAC 284-30-650

The following General Exam Standards Failed:

#	GENERAL EXAM STANDARD	REFERENCE
2	The Companies do business in their own legal name.	RCW 48.05.190(1), Bulletin 78-17
3	The Companies maintain full and accurate records and accounts of their policy records.	RCW 48.05.280

General Exam Standard #2: The Companies conduct business via the Internet and by telephone. Quotes are sent or given to potential policy purchasers via regular mail and email. The actual company quoting the policy is not identified until the coverage is purchased and a physical policy issued. The only identifier in this correspondence is "Progressive". All quotes issued are in violation of RCW 48.05.190(1). This is further discussed in the Underwriting and Rating Section of this report beginning on page 13. In addition, the examiners found that the Companies were also in violation of this standard in the Claims area. They found letters and other correspondence that generically identified the company or failed to identify the insurer at all. **It should also be noted that this violation was present in previous examination reports.** Details of the Claims findings can be found on page 20.

General Exam Standard #3: In the Underwriting and Rating section of the examination, the examiners found that the Companies are not retaining or imaging documentation that is required to establish proof of prior insurance and proof of homeownership to qualify for the Ultra-preferred market. The examiners also found that the Companies are not retaining original applications. Additional explanation can be found on page 13.

ADVERTISING

The Companies' advertising file consisted of nine (9) items. There were advertising pieces to be used by agents to mail to consumers, advertisements for newspapers or magazines, agent brochures and pages from the Companies' web site.

Findings

The following Advertising Standards Passed Without Comment:

#	ADVERTISING STANDARD	REFERENCE
4	The Companies are required to show the actual financial condition of the Companies as corresponds with the financial statements published by the Companies and must include only those assets actually owned and possessed by the Companies exclusively.	RCW 48.30.070
5	The Companies do not advertise the existence of the Washington Insurance Guaranty Association.	RCW 48.30.075
6	The Companies do not include any statements in their advertising material that would appear to defame the name of other insurers.	RCW 48.30.080
7	The Companies do not misrepresent the terms of their policies in any form during the advertising and solicitation of their products.	RCW 48.30.090
8	The Companies do not offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured any rebate, discount, abatement or reduction of premium or any part of these as an inducement to purchase or renew insurance unless specifically exempted from this statute.	RCW 48.30.140, RCW 48.30.150

The following Advertising Standards Failed:

#	ADVERTISING STANDARD	REFERENCE
1	The Companies' advertising materials do not contain any false, deceptive or misleading representations.-	RCW 48.30.040
2	The Companies do not use quotations or evaluations from rating services or other sources in a manner that appears to be deceptive to the public.	WAC 284-30-660
3	The Companies must use their full name and include the location of their home office or principle office in all advertisements.	RCW 48.30.050, Bulletin No.78-17

Advertising Standard #1 and Advertising Standard #2:

The examiners reviewed all nine (9) items in the advertising file. They determined that the Companies' web page is in violation of the above standards.

The Companies' web page contains the statement "People who use Progressive's auto insurance rate comparison service **see average differences of \$500** over a six month policy". The examiners believe that this is a deceptive statement for the following reasons:

- The comparisons are based only on a study conducted on premiums from very large cities across the nation (New York, Los Angeles, Atlanta, Chicago and others) and do not contain a true representation of average premium variance in most markets.
- The statement leads consumers to believe that most people would see this variance, when in fact the "over \$500 premium" spread in the study used represented less than 40% of the consumers.
- There is no data to support that the comparison was made on like coverages, or underwriting data, such as driving records.
- The source of the data is not identified.

See Appendix 1 for detail.

Advertising Standard #3:

Six (6) advertisements did not identify the location of the company's home office or principal office. This represents 67% of the sample. The Company states that these items are for use of agents only and not intended for public use. The examiners advised the Companies that materials designed to encourage the use of the Companies products are considered advertising whether intended for use by consumers or agents. See Appendix 1 for detail.

Subsequent Event: The companies advised that Form # 3200 will be corrected in any future publications

AGENT LICENSING

The examiners selected 50 agents for the review from a population of 4488 agents listed by the Companies as conducting business in Washington. These agent licensing and appointment records were checked against agents writing business during the underwriting review section. The examiners compared the Companies' agent licensing records with the Office of the Insurance Commissioner's (OIC) records to ensure that agents soliciting business for the Companies were licensed and appointed prior to soliciting business on behalf of the Companies as required by Washington law. All agent findings are reported in this section.

Findings

The following Agent Activity Standards Passed Without Comment:

#	AGENT ACTIVITY STANDARD	REFERENCE
1	The Companies ensure that agents are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit	RCW 48.17.060(1) and (2)

	business or represent the Companies in any way.	
2	The Companies require that agents are appointed to represent the Companies prior to allowing them to solicit business on behalf of the Companies.	RCW 48.17.160 RCW 48.17.010

COMPLAINTS

The examiners selected 52 complaint files for review from a population of 541 complaints. Files were reviewed to determine if the Companies responded to complaints within time frames required by their procedures and those required by Washington law. Files were also reviewed for adverse trends. The complaints reviewed included issues of pricing, underwriting, claims settlements, cancellations, and non-renewals.

The examiners also reviewed the Companies' complaint handling procedures. Written complaints are recorded in a special database maintained solely for that purpose. They are then routed to a technical specialist or claims manager assigned to handle Washington complaints. The assigned individual will research the problem and determine what action is warranted, and prepare the response to the inquiry.

Findings

The following Complaint Standards Passed Without Comment:

#	COMPLAINT STANDARD	REFERENCE
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication.	WAC 284-30-650, WAC 284-30-360(2), Technical Advisory T98-4

UNDERWRITING AND RATING

The examiners selected 240 personal and 50 commercial policies from a population of 133,800 new and renewed policies. Files were reviewed to determine if:

- the Companies follow their filed rating plans
- the Companies follow their underwriting rules consistently
- the Companies were in compliance with Washington laws.

The examiners manually rated policies to determine if there were any programmed errors in the Companies' computer system and if the Companies were using their filed and approved rates.

Findings

The following Underwriting & Rating Standards Passed With Comment:

#	UNDERWRITING & RATING STANDARD	REFERENCE
1	Binders issued to temporarily secure coverage are valid until the policy is issued or ninety days, whichever is shorter and shall identify the Companies providing the coverage and effective dates.	RCW 48.18.230(1), WAC 284-30-560
2	The Companies require an insured to reject, in writing, underinsured motorist coverage or Personal Injury Protection coverage.	RCW 48.22.030(4), RCW 48.22.085(2)

Underwriting & Rating Standard #1: The examiners reviewed 290 policy files to determine if binders were issued correctly. They found only one (1) violation. This appears to be an administrative error and not a standard practice. This was a finding in the previous exam and appears to have been corrected by the Companies. See Appendix 2 for details.

Underwriting & Rating Standard #2: The examiners reviewed 290 policy files to determine compliance with this standard. There were 4 violations. This is less than 1% error ratio. Details can be found in Appendix 2. *Subsequent event: The companies have installed an imaging system since the examination. They believe this will reduce the number of instances where documentation can not be located.*

The following Underwriting & Rating Standards Failed:

#	UNDERWRITING & RATING STANDARD	REFERENCE
3	During underwriting, the Companies use only the personal driving record for personal insurance and only the commercial motor vehicle employment driving record for commercial insurance.	RCW48.30.310, RCW 46.52.130, Bulletin 79-3
4	The Companies apply schedule rating plans to all policies as applicable in their filing.	WAC 284-24-100

Underwriting & Rating Standard #3: The examiners reviewed 290 policy files to determine compliance with this standard. They found in 2 files in the sample where the Companies used a personal driving record to rate commercial policies. The Companies were asked to identify all commercial policies that were rated with personal driving records, and then identify and send refunds on any that resulted in overcharges. The Companies identified a total of 854 policies that used the personal driving record. Of those policies, 395 resulted in overcharges. \$129,742 was returned to 395 policy holders. Appendix 2 contains information on the 2 files in the sample. The complete list is contained in the examiner's work papers.

Underwriting & Rating Standard #4: The examiners found that there were 6,862 policies not considered for schedule rating. The Companies applied the filed schedule rating plan only to those commercial auto policies with 13 or more vehicles. There was no qualifier in the filed plan; therefore the plan was applicable to all commercial autos. Only one policy was identified with schedule rating applied. The examiners required the Companies to provide a list of all commercial policies eligible for

schedule rating. Samples of the policies are listed in Appendix 3. A complete list of the affected policies is contained in the work papers.

In addition to the Underwriting & Rating Standards, the examiners reviewed materials in this section that are applicable to General Exam Standards #2 and #3. The following comments apply to finding for those standards. *Subsequent event: The companies removed schedule rating from their filing which was approved July 2002.*

General Exam Standard #2: The Companies conduct business via the Internet and by telephone. Quotes are sent or given to potential policy purchasers via regular mail and email. The actual company quoting the policy is not identified until the coverage is purchased and a physical policy issued. During the period of January 1, 1999 through May 31, 2001 the following activities occurred:

- 185,709 direct quotes to Washington consumers without identifying the company providing the quote.
- 208,283 Internet quotes to Washington consumers without identifying the company providing the quote.
- 19,461 e-mails to Washington consumers without identifying the company that provided the quote.

The only identifier in this correspondence is “Progressive”. The Companies provided the number of quotes and e-mails at the request of the examiners. All are in violation of RCW 48.05.190(1) as they do not identify the quoting company.

The Companies sell many policies via direct telephone and internet sales. At no time during the direct sales process is the prospective purchaser advised in which company the policy will be written. The purchaser is not advised of this until the actual policy is written and the declarations page is issued. The Companies confirmed that when a quote is given to a prospective customer the company issuing the quote is never specifically identified. It does not show on the sales screens. In order for the quoting company to be identified the sales representative must exit the sales screens and view other data.

It is not possible to identify the company associated with a quote when a potential customer completes an application on the Companies’ web site. The company is not identified in follow-up correspondence it sends to the potential customer, only the name Progressive appears on the correspondence.

In addition, there was one form #6269 used to confirm a policy refund on cancellations did not identify the insurer. *Subsequent event: The Companies confirmed that a systems request for correction was initiated May 14, 2001.*

General Exam Standard #3: The examiners found that the Companies are not retaining or imaging documentation that is required to establish proof of prior insurance and proof of homeownership to qualify for the Ultra-preferred market. The Companies indicate that after receiving and verifying this information, it is destroyed. Because of this practice, the examiners were unable to determine if the Companies had correctly qualified insureds for this market.

The examiners also found that the Companies were not retaining original applications. Therefore the examiners were unable to determine whether the insureds received the coverage they applied for, or

were placed in the correct market based on the application. *Subsequent event:* The companies installed an imaging system for document retention subsequent to the examination.

RATE AND FORM FILINGS

A sample of rate and form filings was taken from the 240 personal and 50 commercial new and renewed policies used in the underwriting sample. The purpose of this sample was to determine if the Companies were complying with the laws regarding the filing and use of rates and forms.

The Companies utilized Insurance Services Office (ISO) and company(s) developed rates and forms.

The Companies had corrected the violation regarding failure to handle installment payments according to their filings, identified in the prior exam.

Findings

The following Rate & Form Filing Standards Failed:

#	RATE & FORM FILING STANDARD	REFERENCE
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use.	RCW 48.18.100,
2	Where required, the Companies have filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, does not issue any policies that are not in accord with the filing in effect.	RCW 48.19.040
3	The declarations page of the policy will identify all forms that make up the policy. The policy will identify all coverage limits.	RCW 48.18.140
4	PIP forms must contain all coverage limits and categories of benefits as required by statute.	RCW 48.18.190
5	Policy forms for commercial policies are filed within 30 days of use.	RCW 48.18.103(2)

Rate and Form Filing Standard #1:

Rate and Form Filing Standard #3:

Rate and Form Filing Standard #4:

Rate and Form Filing Standard #5:

Commercial Auto

In reviewing a sample of 50 commercial auto files, the examiners found that the Companies had issued all commercial auto policies during the exam period with Form Booklet 1781. This booklet was made up of a number of policy forms that, if identified on the declarations page, were applicable to the policy.

This booklet amended policy conditions. The policy booklet was not filed and approved for use in Washington.

The Companies provided a list of 6,282 commercial policies that had been issued with this form booklet and were in violation of this code section. The list is contained in the examiners work papers. *Subsequent event: The Companies advised that the booklet has been filed for approval to use in Washington.*

In reviewing 50 commercial policies, the examiners found that PIP Form #1579(06-95) had not been included in the list of forms in the policy. This form had been filed and approved, even though the PIP form did not contain the coverage limits and categories of benefits applicable to Personal Injury Protection coverage as required by statute. Per information provided by the Companies, there were 1,629 policies that were affected by this error which represents all commercial policies issued with 10,000 medical PIP coverage during the examination period.

Subsequent event: The Companies advised that the form has been re-filed with corrected language, and policyholders were sent a corrected declarations page.

Rate and Form Filing Standard #2:

The examiners found the following errors upon review of files as indicated below:

Out of 50 **commercial filings** reviewed, the examiners found two (2) errors identified in Appendix 2. Those errors were:

- One vehicle was not classified or rated according to the filed rate manual. The insured was undercharged.
- One policy did not receive the “paid in full” discount according to the filed rate manual.

Upon review of **boat filings**, the examiners found the following:

- 11,819 boat policies were issued between 1999 and 2000 stating that the Companies would keep earned premium if the policy was cancelled. The filed policy form stated that the minimum earned premium amount was \$0.00 which meant that the Companies were not entitled to retain any premium upon cancellation. Therefore, all 11,819 policies were in violation of the filing. The list of policy numbers is included in the work papers.
- 992 boat policies were written or renewed during the exam period with discounts that were not included in the filing. This violation included two filing periods. The list of policy numbers is included in the work papers.
- 289 boat policies were written with a collision surcharge that was not filed and approved resulting in the return of \$1300 to 289 policyholders. The list of policies is included in the work papers.
- 41 boat policies were written with a “Special Hazard or Target Surcharge”. In the policy, Special Hazard is defined as “modified to enhance performance”; Target Risk is defined as “rock stars, pro basketball players, etc”. The Companies’ system was programmed to base the Special Hazard or Target Surcharge on horsepower which is not included in the definition of special hazard. This resulted in refunds to 41 policyholders in the amount of \$4,465.25. The list of policies is included in the work papers.

For **motorcycle filings**, the examiners found one (1) policy was not rated according to the current filing, because a widower was rated as single instead of married. This resulted in return premium of \$157 to the insured. See Appendix 2 for detail.

The following Policy Provision Standard Failed:

#	POLICY PROVISION STANDARD	REFERENCE
1	Personal Injury Protections forms issued by the Companies contain coverage definitions and limits that conform to Washington law.	RCW48.22.095 RCW 48.22.005

Policy Provisions Standard #1: The examiners reviewed nine (9) PIP forms. Of these, three (3) forms that were in use contained language that was in violation of either definitions or benefit limits as required by statute.

- PIP forms 9606WA(05/98) used with motorcycle and auto policies and form 9633WA(01/98) used with recreational vehicle policies during the exam period contained restrictive language that did not conform to the loss of service definition in RCW 48.22.005(6).
- PIP form 1579(06/95) used on commercial auto policies during the exam period did not clearly state the limits of coverage. 1,629 policies contained this form.

CANCELLATIONS AND NON-RENEWALS

The examiners selected a sample of 450 cancelled or non-renewed policies from a population of 41, 863 commercial and personal policies for the review. The files were reviewed to determine if the Companies were in compliance with state laws governing cancellations and non-renewals.

Findings

The following Cancellation & Non-Renewal Standards Passed With Comment:

#	CANCELLATION & NON-RENEWAL STANDARDS	REFERENCE
1	The Companies do not cancel or refuse to renew policies because the agent is no longer affiliated with the Companies.	RCW 48.17.591
2	The Companies send offers to renew or cancellation or non-renewal notices according to the requirements prior to policy termination.	RCW 48.18.290, RCW 48.18.2901, RCW 48.19.291, RCW 48.19.292
3	The Companies include the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured.	WAC 284-30-570

Cancellation & Non-Renewal Standard #1: In reviewing the original sample, the examiners found several instances where the Companies non-renewed policies because the agent/Companies relationship

had been terminated. The examiners then asked the Companies to provide a list of all policies non-renewed for this reason. Out of the total population of 41,863 policies, the examiners found 97 that were in violation. The complete list of policies is in the examination work papers. Those found in violation in the original sample are listed in Appendix 4. *Subsequent event:* *The companies advised that procedures have been updated and implemented to ensure compliance.*

Cancellation & Non-Renewal Standard #2: The examiners reviewed 450 policy records and found 18 instances where there were less than 45 days between notification of non-renewal and termination of the policy (4% of the sample in violation). These are listed in Appendix 4. *Subsequent event:* *The companies advised that procedures have been updated and implemented to ensure compliance.*

Cancellation & Non-Renewal Standard #3: The examiners reviewed 450 policy records and found 4 where the Companies failed to include the actual reason for their actions. Violations of this code section were also noted in the previous examination. The examiners determined that the errors found in this examination were administrative and no pattern of repeated violation exists. The list of policies in violation is included in Appendix 4.

CLAIM SETTLEMENT PRACTICES

The examiners selected 290 claim files for review from a population of 41,745 commercial and personal lines claims both opened and closed during the examination period. Files were reviewed for the following:

1. Timeliness of contact with claimants
2. Promptness of payments
3. Explanation of coverages available
4. Procedures for establishing actual cash value of total losses and salvage value
5. Documentation of claim files
6. To determine if the Companies are in compliance with Washington law.

The following claim adjudication errors were identified and returned to the Companies for correction or follow-up during the examination process:

- One claim was paid using an incorrect UMPD deductible. The difference in the deductible, \$200, was refunded to the policyholder.
- One claim contained recovery money from subrogation efforts. The Companies had not refunded the insured the \$100 deductible. This error was corrected and the \$100 sent to the policyholder.
- One claim was paid using the collision instead of the UMPD deductible. The difference in the deductible, \$200, was refunded to the policyholder.
- One policy was coded as a collision instead of a comprehensive claim.
- One policy was coded as a collision instead of a UMPD claim
- Two claims had documentation referring to them as Personal Injury Protection (PIP) claims. They were Medical Payments claims.
- One recovery check was allocated to collision. It should have been allocated to PIP.
- One claim file indicated that the claim handler failed to advise that Personal Injury Protection was primary over the insured's health coverage.

- One claim file indicated that the claim handler failed to fully explain PIP benefits.

The Companies had corrected the violations regarding failure to include license fees noted in the prior exam.

Findings

The following Claim Standard Passed with Comment:

#	CLAIM STANDARD	REFERENCE
2	The Companies' claim files contain detailed log notes and work papers so as to allow the examiners to reconstruct the claim file.	WAC 284-30-340
3	The Companies acknowledge all communications on a claim file within the time frames prescribed.	WAC 284-30-360
4	Companies comply with requirement for prompt investigation of claims.	WAC 284-30-370
6	The Companies comply with regulations concerning personal injury protection (PIP) coverage.	WAC 284-30-395
7	The Companies properly send total loss vehicle titles to the Department of Licensing for destruction.	RCW 46.12.070

Claims Standard #2: The examiners reviewed 290 claim files and found 5 (2%) that did not contain enough information to reconstruct the claim files. See Appendix 6 for details.

Claims Standard #3: The examiners reviewed 290 claim files and found two (2) that were not in compliance.

WAC 284-30-360(1) requires that a claim be acknowledged within 10 working days and that notification to an agent is the same as notification to the Companies. In one (1) file, the claim was reported to the agent who never reported it to the Companies. Therefore, acknowledgement was never sent to the claimant.

WAC 284-30-260(3) requires the Companies to respond to communication from a claimant within 10 working days. One (1) file review indicated that the first communication to the claimant was payment made over a month after the initial communication was received.

See Appendix 7 for details.

Claims Standard #4: The examiners found four (4) violations of WAC 284-30-370 when reviewing the 290 claim files. All were the result of the Companies taking longer than 30 days to investigate the claim. These appear to be administrative errors and did not constitute a pattern of delay. The four (4) violations are 1% of the sample. See Appendix 7 for details.

Claims Standard #6: The examiners reviewed 290 claim files and found that in one (1) file, the Companies failed to send a PIP brochure to the claimant. The brochure explains when a claim may be

limited, terminated or denied and is required disclosure under Washington PIP regulations. This appears to be an administrative error only. See Appendix 7 for details.

Claims Standard #7: The examiners found 8 claim files (3% of the sample) where the title to a total loss vehicle was not sent to the Department of Licensing as required. The Companies were using their contracted salvage processor to process the titles. See Appendix 9 for a list of claim files in violation of this standard.

The following Claims Standard Failed:

#	CLAIMS STANDARD	REFERENCE
1	The Companies fully disclose all pertinent benefits and coverage and settle claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act.	WAC 284-30-330, WAC 284-30-350
5	The Companies settle automobile claims in accordance with standard established for prompt, fair and equitable claim settlements.	WAC 284-30-390

Claims Standard #1: WAC 284-30-330(9) requires that payments made to insureds must identify under which coverage payment is being made. The examiners found that in 18 of the 290 claim files reviewed, the Companies failed to include this information (6% of sample in violation). A list of those claims found in violation of this section of the Unfair Claims Settlement Act is in Appendix 6. *Subsequent event:* The companies advise that claims personnel have been advised to include coverage information on payments.

Claims Standard #5: WAC 284-30-390 sets standards for settlement of automobile claims. This includes provisions concerning establishing comparable values for total loss situations. The examiners found that the vehicles that were used to establish local market values were not comparable for the following reasons:

1. Odometer readings were not obtained.
2. Vehicles from outside the local market area were included in the evaluation.

The examiners found that most of the salvage values used in settlements were based on estimated values provided by the contracted salvage processor through a program called Pro-Quote rather than firm salvage bids. Two (2) files were returned to the Companies to correct salvage recoveries to the insureds. Recovery to consumers was \$583.46:

- Pro-Quote value was \$1550.50 however the appraiser estimated the salvage was worth between \$1800 and \$1950. The insured was charged \$1950. The examiners returned it for correction to the Pro-Quote figure.
- One file contained a calculation error, overcharging the consumer for the salvage.

The examiners reviewed 290 files, finding errors in 52 or 18% of the sample. See Appendix 8 for detail. *Subsequent event:* The companies advise that total loss evaluation process has been modified to ensure compliance.

In addition to the Claims Standards, the examiners reviewed claim processing to ensure compliance to General Exam Standard #2. They found the following:

General Exam Standard #2: RCW 48.05.190(1) requires an insuring company to conduct its business in its own legal name. The examiners found that letters and other correspondence sent regarding claims failed to identify the actual insurer. The correspondence either identified the Companies generically, such as The Progressive Companies, or identified the wrong insurance company. The examiners reviewed 290 files, finding errors in 22 or 8% of the sample. See Appendix 5 for detail.

SUMMARY OF STANDARDS

General Examination Standards:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies made available to the examiners all requested information in a timely manner. (RCW 48.03.030(1)) and WAC 284-30-650)	8	X	
2	The Companies do business in their own legal name. (RCW 48.05.190(1))	8		X
3	The Companies maintain full and accurate records of the policy records. (RCW 48.05.280)	8		X

Companies Operations and Management:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies are required to be registered with the Office of the Insurance Commissioner prior to acting as an insurance Company(s) in the State of Washington. (RCW 48.05.030(1))	7	X	
2	The Companies are required to file with the OIC any changes to Articles of Incorporation, or amendments for domestic Companies. (RCW 48.07.070)	8	X	

Advertising:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies' advertising materials do not contain any false, deceptive or misleading representations. (RCW 48.30.040)	9		X
2	The Companies do not use quotations or evaluations from rating services, advisory services or other sources in a manner that appears to be deceptive to the public. (WAC 284-30-660)	9		X
3	The Companies must use their full name and include the location of their home office or principle office in all advertisements. (RCW 48.30.050)	9		X
4	The Companies are required to show the actual financial condition of the Companies as corresponds with the financial statements published by the Companies and must include only those assets actually owned and possessed by the Companies exclusively. (RCW 48.30.070)	9	X	
5	The Companies do not advertise the existence of the Washington Insurance Guaranty Association. (RCW 48.30.075)	9	X	
6	The Companies do not include any statements in their advertising material that would appear to defame the name of other insurers. (RCW 48.30.080)	9	X	
7	The Companies do not misrepresent the terms of their policies in any form during the advertising and solicitation of their	9	X	

#	STANDARD	PAGE	PASS	FAIL
	products. (RCW 48.30.090)			
8	The Companies do not offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured any rebate, discount, abatement or reduction of premium or any part of these as an inducement to purchase or renew insurance unless specifically exempted from this statute. (RCW 48.30.140, RCW 48.30.150)	9	X	

Complaints:

#	STANDARD	PAGE	PASS	FAIL
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication. (WAC 284-30-650, WAC 284-30-360(2), Technical Advisory T98-4)	11	X	

Agent Activity:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies ensure that agents are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the Companies in any way. (RCW 48.17.060(1) and (2))	10	X	
2	The Companies require that agents are appointed to represent the Companies prior to allowing them to solicit business on behalf of the Companies. (RCW 48.17.010, RCW 48.17.160)	10	X	

Underwriting and Rating:

#	STANDARD	PAGE	PASS	FAIL
1	Binders issued by the Companies to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter. (RCW 48.18.230(1))	12	X	
2	The Companies require an insured to reject, in writing, underinsured motorist coverage. (RCW 48.22.030(4))	12	X	
3	During underwriting, the Companies use only the personal driving record for personal insurance and only the employment driving record for commercial insurance. (RCW 48.30.310, RCW 46.52.130, Bulletin 79-3)	12		X
4	The Companies apply schedule rating plans to all policies as applicable. (WAC 284-24-100)	12		X

Rate and Form Filings:

#	STANDARD	PAGE	PASS	FAIL
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use. (RCW 48.18.100)	14		X
2	Where required, the Companies have filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, does not issue any policies that are not in accord with the filing in effect. (RCW 48.19.040)	14		X
3	The declarations page of the policy will identify all forms that make up the policy. The policy will identify all coverage limits. (RCW 48.18.140)	14		X
4	PIP forms must contain all coverage limits and categories of benefits as required by statute. (RCW 48.18.190)	14		X
5	Policy forms for commercial policies are filed within 30 days of use. (RCW 48.18.103(2))	14		X

Policy Provisions:

#	STANDARD	PAGE	PASS	FAIL
1	Personal Injury Protections forms issued by the Companies contain coverage definitions and limits that conform to Washington law. (RCW 48.22.095)	16		X

Cancellations and Non-Renewals:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies do not cancel or refuse to renew policies because the agent is no longer affiliated with the Companies. (RCW 48.17.591)	16	X	
2	The Companies send offers to renew or cancellation or non-renewal notices within the prescribed time frames. (RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292)	16	X	
3	The Companies includes the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured. (WAC 284-30-570)	14	X	

Claims:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies settle claims in a manner which is not in conflict with any section of the Unfair Claims Settlement Practices set forth in Washington regulations. (WAC 284-30-330 and WAC 284-30-350)	19		X
2	The Companies' claim files contain detailed log notes and work	18	X	

	papers that allow reconstruction of the claim file. (WAC 284-30-340)			
3	The Companies acknowledge all communications on a claim within the time frames prescribed in Washington administrative code. (WAC 284-30-360)	18	X	
4	Companies comply with requirements for prompt investigation of claims (WAC 284-30-370)	18	X	
5	The Companies settle auto claims in a prompt, fair, and equitable manner. (WAC 284-30-390)	19		X
6	The Companies comply with regulations concerning personal injury protection (PIP) coverage. (WAC 284-30-395)	18	X	
7	The Companies properly send vehicle titles to the Department of Licensing for destruction. (RCW 46.12.070)	18	X	

INSTRUCTIONS AND RECOMMENDATIONS

1. The Companies are instructed to identify the Companies' home office or principal office location on advertising to ensure compliance with RCW 48.30.050. (Page 9)
2. The Companies are instructed to comply with RCW 48.30.040 and WAC 284.30.660 and remove all advertising statements from the Website and all other publications that are likely to mislead the consumer, or cannot be supported with documentation that represents this state's population for statistical data. (Page 9)
3. The Companies are instructed to establish procedures that ensure compliance with RCW 48.05.190(1) and that all policy quotes, policy documents and all correspondence correctly identify the legal name of the insuring Companies. (Page 8)
4. The Companies are instructed to establish procedures to comply with RCW 46.52.130 that ensure personal driving records are not used to rate commercial policies except where permitted by the law. (Page 12)
5. The Companies are instructed to file and obtain approval for all forms not exempt under RCW 48.18.103 as required by RCW 48.18.100(1). (Page 14)
6. The Companies are instructed to establish procedures to comply with RCW 48.19.040(6) regarding filings, rating plans and application of approved rates. (Page 14)
7. The Companies are instructed to comply with RCW 48.22.095 and include all statutory benefits in all PIP filings. (Page 15)
8. The Companies are instructed to comply with RCW 48.18.140 to ensure that all forms that make up a policy are identified on the declarations page. The Companies are further instructed to ensure that the policy identifies coverage limits. (Page 15)
9. The Companies are instructed to comply with RCW 48.18.190 and re-file any PIP forms that do not contain the coverage limits and categories of benefits as required by statute. (Page 15)
10. The Companies are instructed to establish procedures to ensure that every commercial policy eligible for schedule rating is included, and that documentation supports compliance with WAC 284-24-100. (Page 12)
11. The Companies are instructed to comply with WAC 284-30-330(9) and identify the coverage under which a payment is made to insureds or beneficiaries. (Page 19)
12. The Companies are instructed to comply with WAC 284-30-390 and use only those vehicles that have been verified as comparable to the total loss vehicle, and use only vehicles in the local market area when establishing the market value. The Companies are further instructed to obtain firm salvage bids instead of estimated salvage values. (Page 19)

APPENDIX 1 ADVERTISING

RCW 48.30.050 Requires advertisements to identify the full name of insurer and location of its home office. Those items found in violation are:

Form Number	Title	Target – Agent or Consumer
3200(5/00)	Washington New Business May 9, 2000	Agent
3200(2/99)	Washington New Business Feb. 23, 1999	Agent
None	Postcard - Call Today for Great Prices And Local Service	Consumer
None	Postcard - Consider this a very good sign	Consumer
None	3-section mailer- Are you paying too much for auto insurance?	Consumer
None	3-section mailer - Consider this a very good sign.	Consumer

RCW 48.30.040 Advertising may not contain deceptive or misleading information. AND;
WAC 284-30-660 Advertising may not contain quotations or evaluations from rating organizations or other independent sources that are likely to deceive the consumer. Those items in violation of these code sections are:

Form Number	Title	Target – Agent or Consumer
Website	www.progressive.com	Agent and consumer

APPENDIX 2 UNDERWRITING

RCW 48.05.190(1) Companies must conduct business in their own legal name

Numbers	Comment
185,709 direct 208,283 internet 19,461 e-mail	See work papers for details
6269	Policy cancellation confirmation forms. See work papers for details
04 417193-5	Form #6801 does not identify the insuring Companies
4574115-3	Form #6801 does not identify the insuring Companies
7037798-4	Form #6801 does not identify the insuring Companies

RCW 48.18.230(1) Binders cannot be issued for longer than 90 days

Policy number	Comment
CA0-45-32-757-0	Binder issued for longer than 90 days.

RCW 48.19.040(6) Companies must follow their filings

Policy number	Comment
11,819 policies	See report for details
CA0-40-49-786-3	Companies did not rate vehicle according to their filing.
CA0-44-73-502-0	Companies did not rate policy according to their filing.
00548235-9	Companies did not rate policy according to their filing.

RCW 48.22.030(2)(4) Companies must obtain signed coverage rejections

Policy number	Comment
CA47418	Companies could not provide signed UM rejection form
02594134-8	Companies could not provide signed UM rejection form
65700040-1	Companies could not provide signed UM rejection form
10414275-2	Companies could not provide signed UM rejection form

RCW 46.52.130 Personal Driving record may not be used to rate commercial auto policies

Policy number	Comments
Multiple policies	See work papers
CA0-43-41-198-0	Personal driving record used to rate commercial policy
CA0-45-94-979-0	Personal driving record used to rate commercial policy

APPENDIX 3
RATES and RATE FILINGS

WAC 284-24-100 Companies unable to provide schedule rating documentation as required

Policy Number	Comment
6862 policies	See work papers - including the 12 examples listed below
CA-0-43-94-502-1	Companies unable to provide schedule rating documentation as required
CA-0-46-15-720-0	Companies unable to provide schedule rating documentation as required
CA-0-44-37-517-0	Companies unable to provide schedule rating documentation as required
CA-0-42-42-328-0	Companies unable to provide schedule rating documentation as required
CA-0-45-00-773-0	Companies unable to provide schedule rating documentation as required
CA-0-41-07-972-0	Companies unable to provide schedule rating documentation as required
CA-0-42-69-268-0	Companies unable to provide schedule rating documentation as required
CA-0-45-80-804-0	Companies unable to provide schedule rating documentation as required
CA-0-41-37-975-0	Companies unable to provide schedule rating documentation as required
CA-0-40-83-116-0	Companies unable to provide schedule rating documentation as required
CA-0-45-61-464-0	Companies unable to provide schedule rating documentation as required
CA-0-46-26-578-0	Companies unable to provide schedule rating documentation as required

APPENDIX 4 CANCELLATIONS AND NON RENEWALS

RCW 48.17.591(2) & (3) Companies cannot non-renew policies because the Companies-agent relationship was terminated

Policy Number	Comment
01673845-4	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
01701559-4	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
00881838-2	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
06999290-2	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
01505634-9	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
06592166-3	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
03126514-7	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
00836771-6	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
00324180-7	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
03127270-6	The Companies non-renewed the policy because the agent-Companies relationship was terminated.
00934048-9	The Companies non-renewed the policy because the agent-Companies relationship was terminated.

RCW 48.18.2901(1)(a) Companies must give 45 days notice to not renew a policy

Policy Number	Comment
06616021-1	Non-renewal notice did not give the required 45 days notice
35475142-0	Non-renewal notice did not give the required 45 days notice
31209925-0	Non-renewal notice did not give the required 45 days notice
06515851-1	Non-renewal notice did not give the required 45 days notice
02862845-3	Non-renewal notice did not give the required 45 days notice
03016459-4	Non-renewal notice did not give the required 45 days notice
31104903-0	Non-renewal notice did not give the required 45 days notice
06898460-2	Non-renewal notice did not give the required 45 days notice
35545752-0	Non-renewal notice did not give the required 45 days notice
02601042-3	Non-renewal notice did not give the required 45 days notice
31309369-0	Non-renewal notice did not give the required 45 days notice
35363456-0	Non-renewal notice did not give the required 45 days notice
35563945-0	Non-renewal notice did not give the required 45 days notice
03722762-3	Non-renewal notice did not give the required 45 days notice
09166460-6	Non-renewal notice did not give the required 45 days notice

Policy Number	Comment
31176277-0	Non-renewal notice did not give the required 45 days notice
00913067-1	Non-renewal notice did not give the required 45 days notice
41521105-1	Non-renewal notice did not give the required 45 days notice

WAC 284-30-570 The insurer must give the true and correct reason for canceling or non-renewing a policy

Policy Number	Comment
65047991-5	No reason was given for non-renewing the policy
65135921-4	Notice does not give reason in clear language
50634083-0	Notice does not give reason for Companies' action
30121025-0	The cancellation notice did not explain the reason for the Companies' decision

APPENDIX 5 CLAIMS

RCW 48.05.190(1) Companies must conduct business in their own legal name.

Claim Number	Comments
99-3594678	Two letters identify the insurer as The Progressive Companies
97-0749332	Five letters identify Progressive as the insurer, instead of the Progressive Classic Insurance Companies
00-4445458	Three letters identify the insurer is Progressive Pro-West Insurance Companies. The insurer is Progressive West Insurance Companies
01-5855593	One letter identifies the insurer is Progressive Pro-West Insurance Companies. The insurer is Progressive West Insurance Companies
99-3911723	One letter identifies the insurer as Pro-West Insurance Companies. The insurer is Progressive West Insurance Companies
00-5760247	One letter identifies the insurer is Progressive Pro-West Insurance Companies. The insurer is Progressive West Insurance Companies
00-4986536	2 faxes and 3 form letters identify the insurer as Progressive Companies, however they do not identify the insurer
00-4364075	One letter indicates the insurer is Progressive Halcyon Insurance Companies. The actual insurer is Halcyon Insurance Companies
98-2197101	One letter identifies the insurer as The Progressive Companies
00-5659984	Form # 5725 identifies the insurer as Progressive Insurance Companies. The actual insurer is Progressive West Insurance Companies.
00-4680584	One letter identifies the insurer as Progressive. The actual insurer is Progressive Northwestern Insurance Companies
98-1163845	One letter does not identify the actual insurer.
00-4896411	One letter identifies the insurer as Progressive Companies
00-5549181	One letter does not identify the actual insurer.
00-4790951	One form identifies the insurer as Progressive Insurance Companies. The actual insurer is Halcyon Insurance Companies
993339314	Subrogation department letter does not identify the insuring Companies
005217074	Letter identifies the incorrect insuring Companies
004448819	Letter identifies the incorrect insuring Companies
004833799	Two letters incorrectly identify insuring Companies.
993214490	Subrogation department letter does not identify the insuring Companies
004928007	Two letters incorrectly identify the insuring Companies
993548353	Subrogation department letter does not identify the insuring Companies

APPENDIX 6 CLAIMS

WAC 284-30-330(9) requires payments made to insureds to identify under which coverage the payment is made.

Policy Number	Comments
98 2778492	Payment does not identify under which coverage it was made.
00 5194874	Payment does not identify under which coverage it was made.
00 4973672	Payment does not identify under which coverage it was made.
00 4351562	Payment does not identify under which coverage it was made.
00 4896411	Payment does not identify under which coverage it was made.
00 4340099	Payment does not identify under which coverage it was made.
99 3173831	Payment does not identify under which coverage it was made.
97 0742469	Payment does not identify under which coverage it was made.
00 4131072	Payment does not identify under which coverage it was made.
97 0695050	Payment does not identify under which coverage it was made.
01 5858560	Payment does not identify under which coverage it was made.
99 3459275	Payment does not identify under which coverage it was made.
00 4183865	Payment does not identify under which coverage it was made.
00 5035329	Payment does not identify under which coverage it was made.
97 0695050	Payment does not identify under which coverage it was made.
98 2310622	Payment does not identify under which coverage it was made.
98 2228468	Payment does not identify under which coverage it was made.
99 2503271	Payment does not identify under which coverage it was made.

WAC 284-30-340 Requires claim files to contain all log notes and work papers in such detail that pertinent events and the dates of those events can be reconstructed.

Policy Number	Comment
99 3639780	File contains no log notes to indicate that the PIP brochure designed to satisfy the requirements of WAC 284-30-395 was ever sent to the insured.
00 4276515	Unable to determine from the file notes how the salvage value was established.
00 4790951	Unable to document how the salvage value was obtained.
99 3376919	Unable to locate a total loss evaluation sheet that shows the breakdown of the total loss settlement (ACV,. Title fees, taxes).
99 2498886	File contains no log notes to indicate that the PIP brochure designed to satisfy the requirements of WAC 284-30-395 was ever sent to the insured.

APPENDIX 7 CLAIMS

WAC 284-30-350 Misrepresentation of policy provisions. No insurer shall fail to fully disclose all pertinent coverage and benefits to first party claimants.

Policy Number	Comments
99 3173831	The insured was sent a PIP application and a letter discussing the PIP claim. This policy has Medical Payments coverage, not PIP coverage.

WAC 284-30-360(1) Requires acknowledgement of a claim to an insured within 10 working days, and states that notice to the agent constitutes notice to the insurer.

Policy Number	Comments
00-4680584	The notes in this file indicate that the insured notified the agent of the loss. The agent never reported the loss.

WAC 284-30-360(3) Requires the Companies to respond to communications from a claimant that suggest a response within 10 working days.

Policy Number	Comments
00 5706286	The Subrogation notice was received on 1/2/01; the response was 1/23/01 when a payment was made.

WAC 284-30-370 requires Companies to complete investigations within 30 days in most cases.

Policy Number	Comments
00 4344588	Investigation was delayed. Coverage investigation took from March 3 until May 5. The investigation involved contacting 3 people, the insured, the insured's boyfriend (the driver) and the agent.
00 5137307	Investigation was delayed. Coverage decision took approximately 3 months
00 5698778	Companies took from December 4 to February 12 to complete an investigation. There is nothing in the log notes to explain the delay.
00 5549181	Coverage decision delayed. Loss reported 10/30/00, Reservation of Rights letter sent 11/3/00, coverage not resolved until 12/15. There was no reason for the delay.

WAC 284-30-395 requires Companies to provide written notice to PIP claimants of benefits, and the reasons that PIP benefits can be denied, limited or terminated.

Policy Number	Comments
99 2498886	No indication in the file that the PIP claimant was sent the PIP brochure that complies with WAC 284-30-395.

APPENDIX 8 CLAIMS

WAC 284-30-390 establishes the requirements for determining the market value of a total loss vehicle, and directs that sales tax, pro-rated license and title transfer fees be paid. It also requires that salvage values be discernable, itemized and appropriate in amount.

Policy Number	Comments
00 4769302	Salvage value based on Pro-Quote, an estimated salvage value, not a bid. Quote \$333.39 Actual recovery \$225.
00 5194874	Vehicle used in market value by CCC was not verified as comparable to insured vehicle.
98 2778492	Vehicles in the CCC evaluation do not contain odometer readings and should not have been included in the evaluation. Salvage value based on Pro-Quote, an estimated salvage value, not a bid. Quote \$800 Actual recovery \$1200.
99 3594678	Vehicles in the CCC evaluation do not contain odometer readings and should not have been included in the evaluation.
99 3376919	Vehicles in the CCC evaluation do not contain odometer readings and should not have been included in the evaluation. File does not document how or where the salvage bid came from.
97 0749332	Vehicle used in market value by CCC did not contain odometer reading. Not verified as comparable to insured vehicle.
00 5104640	Vehicle used in market value by CCC was from Lake Oswego Oregon, 126 miles from the insured, which would not be considered the local market area. Salvage value based on Pro-Quote, an estimated salvage value, not a bid. Quote \$1309 Actual recovery \$2250.
00 4418186	Vehicle used in market value by CCC did not contain odometer reading. Not verified as comparable to insured vehicle. The salvage quote was \$60. There was no firm bid. The owner retained the vehicle.
00 4813104	Vehicles used in CCC evaluation were 170 miles from the insured vehicle, not the local market area. No dealer quotes were obtained.
00 4340099	Unable to document how the salvage value of \$ 700 was established. File notes do not reflect any salvage bids.
00 4276515	None of the four vehicles used in the CCC evaluation are verified as comparable to the insured vehicle.
98 1163845	Evaluations contained in the CCC evaluation are outside the local market area. Error in processing the total loss settlement. Additional payment to the insured \$188.96.
00 4082344	Vehicles used in the CCC evaluation were not in the local market area. No dealer quotes were obtained.
99 2503271	The CCC evaluation contains vehicles that do not list the mileage.
99 3200192	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used was \$1950.50. The actual recovery was \$1490.00
00 4351562	The salvage value was established via an estimated value. The code

Policy Number	Comments
	requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$1069. The actual recovery was \$875.
00 4738313	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$192.50. The actual recovery was \$625.
00 4973672	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$699.85. There was no firm salvage bid. The owner retained salvage based on the quote.
00 4487695	Vehicles used in the CCC evaluation were not in the local market area. No dealer quotes were obtained. The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$325.70. The actual recovery was \$300.
99 3393606	The vehicles used in the total loss evaluation were not verified as being in comparable condition as the mileage was not identified.
98 1680422	The CCC evaluation contains a vehicle that does not list the mileage. The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$1700. The actual recovery was \$1099.
98 1365736	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$1656. The actual recovery was \$1351.29.
98 2110772	Vehicles used in the total loss evaluation were not in the local market area. The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$261.80. The owner retained salvage based on this amount.
99 2751410	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not list the mileage.
99 3791721	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not list the mileage. The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$897. The actual recovery was \$875.
00 4402024	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not list the mileage.
00 5214185	There was never a firm bid for the salvage on this file. There was an estimate from Pro-Quote for \$1550.50 and notes in the file indicating the salvage value could be from 1800- 1950. The insured retained salvage and was charged \$1950 for it. Recovery to the insured \$394.50.
99 3732903	Vehicles used in the total loss evaluation were not in the local market area. NO dealer quotes were obtained. One vehicle used was 247 miles away

Policy Number	Comments
	from the insured.
00 4227708	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not list the mileage. The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$897. The actual recovery was \$875.
98 2059458	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not list the mileage.
00 4535844	Vehicles used in the total loss evaluation were not in the local market area. No dealer quotes were obtained. One vehicle used was 150 miles away from the insured.
00 5421070	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$325.70. The actual recovery was \$300.
00 4323785	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not list the mileage.
00 5017469	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$242.27. The actual recovery was \$250.
00 5337864	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$990.42. The owner retained salvage for this amount.
00 5336095	Vehicles used in the total loss evaluation were not in the local market area. No dealer quotes were obtained. One vehicle used was 153 miles away from the insured. The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$2197.13. The actual recovery was \$1400.
99 3101471	The CCC evaluation used vehicle that were not verified as comparable to the insured vehicle, as they did not identify the mileage on the vehicle, and three of the vehicles were outside the local market area including one that was 225 miles away from the insured.
00 4059766	Vehicles used in the total loss evaluation were not in the local market area. No dealer quotes were obtained. One vehicle used was 200 miles away from the insured.
00 5561615	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$1163.37. The owner retained salvage for this amount.
98 1666554	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not identify the mileage on the vehicle.
00 4950312	The salvage value was established via an estimated value. The code requires salvage values to be discernable, itemized, and appropriate in

Policy Number	Comments
	amount. The quote used from Pro-Quote was \$1847.00. The actual recovery was \$825.
00 4338302	The salvage value was established via an estimated value. The code requires salvage values be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$1800. The actual recovery was \$825.
00 4354705	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not identify the mileage on the vehicle.
00 4283999	Vehicles used in the total loss evaluation were not in the local market area. No dealer quotes were obtained. Both vehicles used were 150 miles away from the insured.
00 4059766	Vehicles used in the total loss evaluation were not in the local market area. No dealer quotes were obtained. One vehicle used was 200 miles away from the insured.
00 4069035	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not identify the mileage on the vehicle.
00 5282648	One of the vehicles used was not the same year as the insured. The CCC evaluation had identified a number of vehicles that were the same year and comparable in equipment to the insured vehicle.
00 4107876	The CCC evaluation used vehicles that were not verified as comparable to the insured vehicle, as they did not identify the mileage on the vehicle.
00 4779790	The salvage value was established via an estimated value. The code requires salvage values be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$950. The actual recovery was \$950.
00 5396606	The salvage value was established via an estimated value. The code requires salvage values be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$357.59. The actual recovery was \$225.
99 3894994	The salvage value was established via an estimated value. The code requires salvage values be discernable, itemized, and appropriate in amount. The quote used from Pro-Quote was \$658. The actual recovery was \$475.

APPENDIX 9
CLAIMS

RCW 46.12.070 requires titles of destroyed vehicles to be surrendered to the Department of Licensing.

Claim Number	Comments
98-2778492	Title sent to salvage processor.
00-4769302	Title sent to salvage processor.
99-3376919	Title sent to salvage processor.
00-4082344	Title sent to salvage processor.
00-4790951	Title sent to salvage processor.
99-3200192	Title sent to salvage processor.
00-4157989	Title sent to salvage processor.
99-3889915	Title sent to salvage processor.
00-5105739	Title sent to salvage processor.